NOTICES OF FINAL RULEMAKING

The Administrative Procedure Act requires the publication of the final rules of the state's agencies. Final rules are those which have appeared in the *Register* first as proposed rules and have been through the formal rulemaking process including approval by the Governor's Regulatory Review Council or the Attorney General. The Secretary of State shall publish the notice along with the Preamble and the full text in the next available issue of the *Register* after the final rules have been submitted for filing and publication.

NOTICE OF FINAL RULEMAKING

TITLE 15. REVENUE

CHAPTER 7. DEPARTMENT OF REVENUE BINGO SECTION

PREAMBLE

<u>1.</u>	Sections Affected	Rulemaking Action
	R15-7-201	Amend
	R15-7-202	Amend
	R15-7-204	Amend
	R15-7-206	Amend
	R15-7-207	Amend
	R15-7-208	Amend
	R15-7-209	Amend
	R15-7-210	Amend
	R15-7-211	Amend
	R15-7-212	Amend
	R15-7-214	Amend
	R15-7-215	Amend
	R15-7-216	Amend
	R15-7-217	Amend
	R15-7-218	Amend
	R15-7-219	Amend
	R15-7-220	Amend
	R15-7-221	Amend
	R15-7-222	Amend
	R15-7-225	Amend
	R15-7-226	Amend
	R15-7-228	Amend
	R15-7-230	Amend
	R15-7-231	Repeal
	R15-7-232	Amend
	R15-7-233	Amend
	R15-7-234 R15-7-301	Amend
	R15-7-301 R15-7-302	Repeal Amend
	R15-7-302 R15-7-303	Amend
	R15-7-303 R15-7-304	Amend
	R15-7-304 R15-7-305	Amend
	R15-7-305 R15-7-306	Amend
	R15-7-300 R15-7-307	Amend
	R15-7-401	Repeal
	R15-7-402	Amend
	R15-7-402	Amend
	R15-7-405	Amend
	R15-7-502	Amend
	R15-7-503	Amend
	R15-7-504	Amend
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Notices of Final Rulemaking

2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statute: A.R.S. § 42-1005

Implementing statutes: A.R.S. §§ 5-401 through 5-415, and 42-1004

3. The effective date of the rules:

November 8, 2003

4. A list of all previous notices appearing in the Register addressing the final rules:

Notice of Rulemaking Docket Opening: 9 A.A.R. 476, February 14, 2003

Notice of Proposed Rulemaking: 9 A.A.R. 413, February 14, 2003

5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Patricia Trent, Manager

Address: Tax Policy and Legal Support Section

Arizona Department of Revenue

1600 W. Monroe Phoenix, AZ 85007

Telephone: (602) 542-4672 Fax: (602) 542-4680

E-mail: TrentP@revenue.state.az.us

6. An explanation of the rules, including the agency's reasons for initiating the rules:

The rules provide guidance to bingo licensees and Department personnel in interpreting and administering the bingo statutes. The current rule revisions are a result of the five-year review of the bingo rules in Title 15, Chapter 7. The rules are being revised to reflect statutory changes and to make the rules more clear, concise, and understandable in conformity with standards set by the Governor's Regulatory Review Council.

7. A reference to any study relevant to the rules that the agency reviewed and either relied on in its evaluation of or justification for the rules or did not rely on in its evaluation of or justification for the rules, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

The Department did not review any study relevant to the rules.

8. A showing of good cause why the rules are necessary to promote a statewide interest if the rules will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

9. The summary of the economic, small business, and consumer impact:

The rulemaking amends R15-7-201, R15-7-202, R15-7-204, R15-7-206, R15-7-207, R15-7-208, R15-7-209, R15-7-210, R15-7-211, R15-7-212, R15-7-214, R15-7-215, R15-7-216, R15-7-217, R15-7-218, 15-7-219, R15-7-220, R15-7-221, R15-7-222, R15-7-225, R15-7-226, R15-7-228, R15-7-230, R15-7-232, R15-7-233, R15-7-234, R15-7-302, R15-7-303, R15-7-304, R15-7-305, R15-7-306, R15-7-307, R15-7-402, R15-7-403, R15-7-404, R15-7-405, R15-7-502, R15-7-503, and R15-7-504 with extensive grammar, format, and style changes necessary under the current Administrative Procedures Act and other necessary language changes to provide a clear, concise, and understandable system of rules.

R15-7-201 amends the definition of "bingo" by adding "or sequence" to lessen the restrictions on the types of bingo games allowed. The rule amends the definition of "card" by deleting "arranged in 5 parallel rows within each row containing 5 number or symboled spaces with the exception of 1 center free space" and adding "A space on a card may contain a preprinted pattern in addition a number or symbol." Both changes lessen the restrictions on the types of bingo games allowed. The rule amends the definition of "wild number bingo" by deleting "the 1st" and adding "or other random method," which will lessen the restrictions on the manner in which wild numbers are determined for bingo games. The rule amends the definition of "player" by deleting "personally selects, pays for, and." This action removes the restriction on the purchase and use of bingo cards. The rule adds new definitions for terms "cover-all," "door prize," "special bonus game," "split-the-pot," and "winner-take-all," which are terms used in the rules that are not defined in either the rules or statutes. R15-7-201.6 through R15-7-201.12 have been renumbered. R15-7-201.3 and R15-7-201.10 have been separated into subsections to make the rule more understandable.

The rulemaking amends R15-7-202(A) by changing "3 occasions" to "five occasions" to comply with A.R.S. § 5-406(G). The rule deletes "The special bonus game must not cause the licensee to exceed the 35 game per occasion limit set by A.R.S. 5-401.21" because the statutory limit no longer exists. The rulemaking amends R15-7-202(B) by requiring the manager of the licensee to sign the application attesting to the accuracy of the license application. The rule also adds subsections (B)(1) and (B)(2) that require the licensee to provide the name, address, license number, and day of the week on which the special bonus game will be played. Subsections (5) and (8) are deleted since the

Notices of Final Rulemaking

current program does not require this information. The rule deletes R15-7-202(E) and R15-7-202(F) to reduce the burden on bingo licensees by no longer requiring them to renew the special bonus game on an annual basis and not requiring them to post the approval for the special bonus game.

The rulemaking amends R15-7-204(A) by removing the requirement that affidavits submitted by bingo workers be notarized. Notarization of an affidavit is not necessary legally and does cause a small financial burden on the licensee. R15-7-204(B) is moved to R15-7-233, which pertains to persons permitted to conduct games.

The rulemaking amends R15-7-210 to allow a cash or check prize to be awarded instead of a merchandise prize when there are multiple winners.

The rulemaking amends R15-7-215(A) by deleting language prohibiting the sale of bingo cards earlier than four hours prior to the start of an occasion because language exists requiring all activity related to a bingo occasion take place during the occasion. The rulemaking amends R15-7-215(B) by deleting language that requires players to purchase their own cards and that prevents players from giving their unused cards to another player when leaving. Existing language has caused a hardship to the licensee and to players by being unnecessarily restrictive.

The rulemaking amends R15-7-216(B) by deleting language requiring licensees to forward duplicate cards and a written explanation to the Department. The language was initially implemented in an effort to identify the cause of duplicate cards. Because of changes in the bingo industry, duplicate cards rarely if ever occur and are usually caused by a manufacturer error.

The rulemaking amends R15-7-217 by defining a bingo occasion as beginning when persons are admitted into the premises for the purpose of playing bingo.

The rulemaking amends R15-7-218 by deleting subsection (B), which will allow bingo cards to be given as an inducement. The rule allows players to take bingo cards into the playing area prior to paying for the cards. This rule would allow the practice commonly used among senior groups that collect money just prior to each game instead of collecting money for all the games at the beginning of the occasion.

The rulemaking amends R15-7-219(C) by eliminating the requirement to post a notice concerning the equal splitting of the prize when there are multiple winners. The amendment is more consistent with the statutes and the common practices of existing licensees.

The rulemaking amends R15-7-222 by adding subsection (A), which clarifies that inducements must be offered on a nondiscriminatory basis. The rule amends R15-7-222(B) to eliminate the requirement for the licensee to notify the Department in writing of any inducement before it is offered. The rule also increases the maximum value of an inducement from \$50.00 to \$250.00 to comply with A.R.S. § 5-406(P). The rulemaking adds subsections R15-7-222(D) and R15-7-222(E) to provide clarity on how bingo cards may be offered as an inducement and how bingo cards may be sold at a reduced price.

The rulemaking amends R15-7-225 to provide specific instructions for completion of the verification report form required by A.R.S. § 5-406(R).

The rulemaking deletes R15-7-228(B)(4) because it has no legal authority after the amendment of A.R.S. § 5-407(G)(9).

The rulemaking repeals R15-7-231, which reduces the burden on bingo licensees by no long requiring them to separately report the names and addresses of bingo prize winners to whom \$300 or more in the aggregate has been awarded.

The rulemaking amends R15-7-232(A) by deleting language that is repetitive of A.R.S. § 5-407.

The rulemaking repeals R15-7-301 to reduce the burden on a bingo licensee applicant by no longer requiring them to provide proof of tax exempt status. Tax exempt status is no longer a factor used in determining if an applicant qualifies for a bingo license.

The rulemaking amends R15-7-302(A) to reduce the burden on Class A licensees when there is a change in ownership. The current rule voids the existing license and requires the Class A licensee to apply for a new license, even though there is no change in the persons operating the bingo. The rule will make written notification to the Department of the change in ownership sufficient. The rulemaking deletes R15-7-302(B) because the existing language is not necessary.

The rulemaking amends R15-7-303 to specify a time limit in which the licensee must notify the Department of a change in its name.

The rulemaking amends R15-7-305 to specify a time limit in which the licensee must notify the Department of a change in its mailing address.

The rulemaking amends R15-7-307 to specify a time limit in which the licensee must notify the Department of any bingo occasion cancellations.

The rulemaking repeals R15-7-401, which requires a licensee to use the prescribed form when submitting a financial report. The Department, at no cost, provides blank financial reports to a licensee.

The rulemaking amends R15-7-403 by deleting "Chapter 10, Article 1" and adding the correct reference, "Article 6 of this Chapter."

The rulemaking amends R15-7-405(A) by adding "applicable penalty and interest" to correspond to A.R.S. § 5-407(C). The rule also requires the Department to send any assessment by certified mail to the last known address of the licensee. The rulemaking amends R15-7-405(B) to identify the statute on which the rule is based. The rulemaking amends R15-7-405(C) by incorporating language on current procedures. The reference to "Chapter 10 of this Title" is corrected to "Article 6 of this Chapter."

The rulemaking amends R15-7-502 by dividing it into subsections to provide a more understandable rule.

10. A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):

Minor grammatical and technical changes that are not substantive in nature were made in response to suggestions from Council staff. In addition, R15-7-223 has been eliminated from this rulemaking package because the Office of the Attorney General has advised the Department to seek clarification on the legislative intent of a recent change in statute that affects this rule.

11. A summary of the principal comments and the agency response to them:

The agency received no comments on these rules.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

13. Incorporations by reference and their location in the rules:

None

14. Was this rule previously made as an emergency rule?

No

15. The full text of the rules follows:

TITLE 15, REVENUE

CHAPTER 7. DEPARTMENT OF REVENUE BINGO SECTION

ARTICLE 2. GENERAL PROVISIONS

Section	
R15-7-201.	Definitions
R15-7-202.	Special bonus Bonus game Game (Class B and Class C licenses only)
R15-7-204.	Affidavits
R15-7-206.	Monitoring by bingo workers
R15-7-207.	Pre-game verification Equipment Verification and Replacement
R15-7-208.	Conduct of game — official scorer Official Comparison
R15-7-209.	Method of eall, Call and announcement Announcement of "bingo Bingo" by a player Player
R15-7-210.	Multiple winners Winners
R15-7-211.	Declaration of a game completion: Completed Game; award Prize Award of prize
R15-7-212.	Erroneous ealls Calls
R15-7-214.	Arizona State Lottery tickets <u>Tickets</u>
R15-7-215.	Sale of players' Bingo eards Cards
R15-7-216.	Duplicate eards Cards
R15-7-217.	Same-day requirements Requirements for play Play, winners and prizes
R15-7-218.	Notice of eharges Charges
R15-7-219.	Notice of prizes Prizes
R15-7-220.	Alternate prizes Prize for winners Winning within a specified number Specified Number of ealls Calls
R15-7-221.	Availability of rules Rules and statutes Statutes for players Players
R15-7-222.	Inducements
R15-7-225.	Verification of gross Gross receipts Receipts and Purchases
R15-7-226.	Legal debts Debts
R15-7-228.	Conditions of for deducting Deducting mortgage Mortgage payments Payments
R15-7-230.	Reporting responsibility Financial Report
R15-7-231.	Financial report supplement Repealed
R15-7-232.	Bingo accounts Bank Accounts

R15-7-233.	Persons permitted Permitted to conduct games Conduct Games; compensation allowed Compensation Allowed
R15-7-234.	Informal resolution Resolution after investigation Investigation or complaint Complaint
	ARTICLE 3. LICENSING PROVISIONS
Section	
R15-7-301.	Requirements of exempt organizations Repealed
R15-7-302.	Change in ownership Ownership for (Class A license <u>License</u> only)
R15-7-303.	Change of name Name
R15-7-304.	Changes to the license <u>License</u> , approval required
R15-7-305.	Change of mailing address Mailing Address
R15-7-306.	Termination of license <u>License</u>
R15-7-307.	Cancellation of an Occasion occasion, approval required
	ARTICLE 4. TAX PROVISIONS
Section	
R15-7-401.	Financial report form Repealed
R15-7-402.	Excess payments Payments
R15-7-403.	Payment under protest <u>Protest</u>
R15-7-405.	Deficiencies; payment Payment; appeal Appeal
	ARTICLE 5. SUSPENSION; REVOCATION; APPEALS
Section	
R15-7-502.	Suspension of license License and right Right of appeal Appeal
R15-7-503.	Revocation of license License and right Right of appeal Appeal

ARTICLE 2. GENERAL PROVISIONS

Injunction against Against continued conducting Conducting a Bingo Game of games after suspension Sus-

R15-7-201. Definitions

R15-7-504.

For the purposes of these rules In addition to the definitions provided in A.R.S. § 5-401, unless the context requires otherwise, the following definitions will-apply to this Chapter and to A.R.S. Title 5, Chapter 4:

- 1. "Bingo" means that specific kind of a game of chance eommonly known as bingo, in which a prizes prize are is awarded on the basis of a to a player who obtains a designated pattern or sequence of numbers or symbols on a card eonforming to that are the same as the pattern or sequence of numbers or symbols selected at random. When placed in quotation marks, "bingo" means the designated pattern or sequence of numbers or symbols needed to win a bingo game.
- 2. "Bingo Worker worker" means any a manager, supervisor, proceeds coordinator, or assistant who is participating in any manner in the holding, operating, or conducting of the bingo occasion.
- 3. "Books and records" are those means documents relating to the financial affairs of an organization kept in it's the organization's regular course of business including and include the following:

eheek stubs, canceled eheeks, bank statements, deposit and withdrawal slips Bank account records,

journals, Journals and ledgers,

pension or revocation Revocation

receipts, Receipts and invoices,

winner Winner signature sheets,

verification Verification records reports required under R15-7-225,

game Game programs, and

- any Any other documents used in connection with bingo operations.
- 4: "Calendar week" means a block of 7 calendar seven days, beginning at 00:00:01 12:00:01 a.m. Sunday, Arizona time, and ending 12:00:00 midnight Saturday, Arizona time.
 - "Caller" means the person calling the bingo balls at an occasion.
- 5. "Cards Card" mean means that a device of bingo play such as a eard, sheet of paper or other device of bingo play, that is provided by the a licensee to the a player before the start of a game, which that bears parallel rows of spaces with each space, except a designated "free" space, containing numbers or symbols, and that is part of a deck, group, or series of cards, no two of which are alike arranged in 5 parallel rows within each row containing 5 numbered or symboled spaces with the exception of 1 center "free space". A space on a card may contain a preprinted pattern in addition to a number or symbol.
 - "Cover-all" means a bingo game in which the designated bingo pattern is all spaces on a card.

Notices of Final Rulemaking

- 6. "Day" means a 24-hour period beginning at 00:00:01 12:00:01 a.m. Arizona time and ending at 12:00:00 p.m. the following midnight.
- 7. "Department" means the Arizona Department of Revenue.
 - "Door prize" means a type of inducement in which a prize is given to an individual, selected at random, who is present on the premises during a bingo occasion.
- 8. "Inducement' shall include, but not be limited to, giving means:
 - anything Anything of nominal value given to any a person at the a bingo occasion, other than a bingo prize awarded for obtaining "bingo"; or
 - the The sale of anything to a person at a bingo occasion of value for less than its fair market value.
- 9. "Player" means a person an individual, 18 years of age or older, who pays the admission fee, if any, to be admitted to the premises and who personally selects, pays for, and plays 1 one or more cards.
- 10. "Proprietary, equitable, or credit interest" includes, but is not limited to, any arrangement by means of in which a person has:
 - A security interest or lien which that is attached to any property of a licensee, or
 - A right to sell or lease to a licensee, or
 - A right to reacquire property sold to a licensee.
- 11. "Receptacle" means a container, such as a blower and cage, which that holds the bingo balls or objects used in bingo games.
 - "Special bonus game" means a series of bingo games, played on the same day of each week during a calendar quarter, with a quarterly prize limit of \$12,000.
 - "Split-the-pot" means a bingo game in which the prize is a portion of the money received from card sales.
- 12. "Wild Number Bingo number bingo" means a games game of bingo where in which the 1st a ball is drawn from the a receptacle or selected using another random method is used to determine all wild numbers for a single game, and in which all wild numbers are marked on all players' bingo cards prior to any other bingo balls being deemed called. "Winner-take-all" means a game of bingo in which the prize is all money received from card sales.

R15-7-202. Special bonus Bonus game Game (Class B and Class C licensees only)

- A. A Class B or C licensee may hold only One one special bonus game may be held on the same respective day of each calendar week, and A licensee shall continue a special bonus game throughout the calendar quarter in which the special bonus game was initiated begins or until such time as the total prize amount of the prize money awarded for the game has reached reaches \$12,000.00 in the aggregate per quarter. All prize money offered must be given away within each quarter that the special bonus game is played. The licensee shall not carry over any Any unused portion of the \$12,000.00 limit may not be carried over into any other quarter. As licensees are allowed to conduct up to 3 occasions weekly, A a licensee may conduct up to 3 no more than five different special bonus programs games per quarter. The special bonus game must not cause the licensee to exceed the 35 games per occasion limit set by A.R.S. § 5-401(21).
- **B.** Licensees A licensee wishing to conduct a special bonus game shall submit the application prescribed provided by the licensing authority Department and receive written approval prior to before initiating any such the special bonus game. A manager of the licensee shall attest to the accuracy of the application by signing the application. Each licensee wishing to conduct a special bonus game shall prepare a detailed written description of the program to be followed in the conduct of the special bonus game. Each special bonus game program description application shall include the following:
 - 1. The licensee's name, address, and license number:
 - 2. The day of the week the special bonus game will be played;
 - 1.3. A description of the manner in which the special bonus game program shall will be conducted and the total amount of prize money to be offered for that each quarter.
 - 2.4. The pattern that will be required to accomplish win the bingo game.:
 - 3.5. The number of calls within which a bingo the pattern must be accomplished to allow the awarding of win the prize, if applicable;
 - 4.6. The amount dollar value of each designated prize.:
 - 5. The amount of any consolation prize.
 - 6.7. The type of card to be used-; and
 - 7.8. The cost per card to the player.
 - 8. A statement of the manner to award any portion of the offered prize if it should not have been awarded by the last night of the quarter.
- C. Any instance of failure to complete accurately the application or any instance of nonconformance contained in the application with existing statutes and rules shall result in the return of the entire application to the submitting licensee. The licensing authority shall return the nonconforming application with a statement containing the specific reasons for disapproval. The Department shall approve only a special bonus game application that is complete and that describes a special bonus game that complies with A.R.S. Title 5, Chapter 4, and this Chapter. The Department shall return the application to the licensee with either an approval or an explanation for the disapproval within 14 days of the receipt of the application. The licensee may amend the application and resubmit it for the Department's approval.

- D. Prior to A licensee may cancel a special bonus game by sending written notice to the Department before the beginning of a quarter changing or canceling any special bonus game program, the licensee must receive written approval from the licensing authority. Each special bonus game may follow a different program. The licensee shall submit a special bonus game application before changing any aspect of the special bonus game as described in the application under subsection (B). A change of a special bonus game program may take place effect only at the beginning on the first day of a quarter. The cancellation of the special bonus game may take place at any time during the quarter once written approval is received from the licensing authority. However, once the special bonus game is cancelled during a quarter, it may not be resumed until the beginning of the next quarter and upon approval from the licensing authority.
- E. Approval to conduct special bonus games shall expire at the end of each licensing period. Therefore, licensees must reapply for approval to conduct special bonus games at the end of each licensing period.
- **F.** The approval to hold special bonus games shall be conspicuously displayed at the place where the games of bingo are to be conducted at all times during any game.

R15-7-204. Affidavits

- **A.** Affidavits A person submitting an affidavit required under A.R.S. § 5-404 shall-be in the sworn and notarized use a form prescribed provided by the licensing authority Department and sign the affidavit under penalty of perjury.
- B. The membership requirements to participate in the conduct of games shall be continuous and fulfilled immediately prior to submission of an affidavit.

R15-7-206. Monitoring by bingo workers

It shall be the responsibility of the licensee A licensee and those persons physically conducting the bingo occasion to shall prohibit any unauthorized person from participating in any manner in the conducting of any a bingo game.

R15-7-207. Pre-game verification Equipment Verification and Replacement

- A. Prior to commencement of Before beginning a each bingo occasion, the supervisor for that the occasion shall:
 - 1. verify Verify that all equipment used in the conducting of bingo is in sound working condition:
 - 2. The supervisor shall further verify Verify that the utilization use of such the equipment and the methods of play provide are such that each player is afforded an equal opportunity to win; and
 - **B.3.** Prior to each occasion the supervisor for that occasion shall, in the presence of 1 or more bingo players, verify Verify, in the presence of one or more players, that all bingo balls are present and that there are no numerical duplications duplicate balls.
- **C.B.** The supervisor for a bingo occasion shall immediately replace All all defective bingo balls shall be replaced immediately before continuing with the game, regardless of the time of discovery.
- **D.C.** An authorized representative of the licensing authority Department may order that any defective equipment be repaired or replaced.

R15-7-208. Conduct of game Game - official scorer Official Comparison

- A. A supervisor shall use the The bingo balls which that are placed on the master board are for the official secret for bingo occasions. A comparison to the designated bingo pattern or sequence, rather than a lighted number display board, is not an official secret.
- **B.** Wild number bingo balls need not be pulled from the receptacle or placed on the master board in order to be recognized as being valid bingo balls called.

R15-7-209. Method of eall, Call and announcement Announcement of "bingo Bingo" by a player Player

- **A.** Once <u>a caller</u> the person calling the bingo balls has initiated the <u>a</u> call, that the caller shall complete the call shall be completed. The <u>A</u> call is considered initiated when the <u>caller</u> person calling the bingo balls begins to vocally announce the letter designation on the bingo ball.
- **B.** The A caller person calling the bingo balls shall allow a reasonable length of time for a player to announce "bingo" before proceeding with the next call.
- C. The A caller person ealling the bingo balls shall not remove more than 4 one bingo ball at any time from the receptacle.
- **D.** No player shall be declared A caller shall not declare a player as the winner of a bingo game, nor shall any player be awarded a prize therefore, unless said the player has obtained accomplished "bingo" on the last immediately announced called number and has announced said faet the "bingo" to a bingo worker before prior to initiation of the next call.
- **E.** A caller may turn off the The machine used to select the bingo balls may be turned off during a game only if the next bingo ball can be secured so that it does not fall into the receptacle. The caller shall call the number of the secured This ball shall be the next announced number unless a valid bingo is has been declared on the prior number announced called.

R15-7-210. Multiple winners Winners

<u>If Whenever</u> it is necessary to share a designated prize because there <u>were are</u> multiple winners on the last <u>immediately</u> called number, the following <u>rules shall provisions govern apply</u>:

- 1. In the event that If the designated prize consists of cash or check, a the licensee shall divide the total amount of the prize shall be divided equally between the verified winners. However, the The licensee shall have the option may round prize amounts up of rounding fractional dollars to the next higher dollar.
- 2. When If the designated prize eonsists of is an item of merchandise that other than eash and the designated prize cannot be divided, the bingo licensee shall do either of the following:
 - a. award Award to each verified winner an identical prize or substitute merchandise prizes prize closely approximate or equal in value to the other prizes awarded with the aggregate value of all prizes awarded to each verified winner. All substitute merchandise prizes shall, as closely as possible, be of equal value, but not exceeding to exceed, in the aggregate, the value of the designated original prize; or
 - b. Award to each verified winner an identical amount of money by check or cash with the total value of the amount awarded equaling the value of the designated prize.
- 3. Subject to the preceding provisions subsections (1) and (2), a licensee may establish minimum prizes.

R15-7-211. Declaration of a game completion: Completed Game; award Prize Award of prize

- A. When After a bingo worker verifies the existence of a winner of a bingo game is determined, the caller person calling the bingo balls shall identify announce the existence of a the verified winner and ask if there are other winners. After the verification of each bingo "bingo", the caller shall provide all other players shall also have the with a reasonable opportunity to claim bingo "bingo" on the same call. If no other players claim bingo "bingo", the caller person calling the bingo balls shall declare the game over completed and a bingo worker shall award the designated prize. The designated prize shall then be awarded. If there are multiple Multiple winners, shall share a bingo worker shall award prizes in accordance with R15-7-210.
- **B.** A No player shall <u>not</u> be allowed to receive or share the designated prize unless the player <u>obtains</u> has accomplished "bingo" and <u>informs the caller of</u> has announced this fact before the <u>caller</u> person calling the bingo balls declares that the game <u>is over has been completed</u>.

R15-7-212. Erroneous ealls Calls

- A. If it is determined by any person during a bingo game that the a <u>caller person calling the bingo balls has made makes</u> an error in calling the number on a bingo ball or <u>identifying in announcing</u> the number of bingo balls called, the <u>caller shall immediately correct</u> the error shall be immediately corrected before proceeding with the game. The caller shall not correct the An error in calling the number on the bingo ball or <u>identifying in announcing</u> the number of bingo balls called shall not be corrected after the game is completed has been closed in accordance with R15-7-211.
- **B.** If, as the result of correcting the <u>an</u> error, it is found that a player would have <u>obtained</u> accomplished "bingo" on the correct number or another number already called, the <u>licensee shall award the</u> game prize shall be awarded to the winning <u>players</u> player as if the correct number had been the last number called.
- C. If a player obtains has accomplished "bingo" as a result of an erroneously called number, the licensee shall declare the bingo shall be declared invalid. A licensee shall not award a No prize shall be awarded based on an erroneous call.

R15-7-214. Arizona State Lottery tiekets <u>Tickets</u>

The sale of A licensee may sell, or give as prizes, tickets or other chances to participate in the Arizona State Lottery and the giving of such tickets or chances as bingo prizes shall not be deemed by the licensing authority to be the conducting of a lottery by a licensee.

R15-7-215. Sale of players' Bingo eards Cards

- A. A licensee shall sell All sales of bingo cards shall take place on the premises where the games game of bingo are is to be played and no earlier than 4 hours prior to the start of the 1st game.
- **B.** Players must purchase their own eards. Players shall not sell or otherwise transfer bingo eards which they have purchased to any other player.

E.B.Cards A licensee shall not be reserved reserve cards in advance for a player or by players.

R15-7-216. Duplicate eards Cards

- A. A licensee shall not use duplicate cards during a bingo game. Duplicate cards are prohibited.
- **B.** If <u>a licensee determines that</u> there are multiple winners in a single game and it is determined that the winners have <u>with</u> duplicate cards, licensees the licensee shall forward the duplicate cards, along with a written description of the reason why it occurred, to notify the <u>Department's Bingo Section</u> bingo licensing authority within 1 week seven days from the date of occurrence.

R15-7-217. Same-day requirements Requirements for play Play, winners, and prizes

A bingo occasion shall be completely played during 1 day. All Any licensee conducting a bingo occasion shall sell cards-shall be purchased by the players, all determine winners, determined and award all prizes awarded within the same day. A bingo occasion begins when persons are admitted to the building or premises for the purpose of playing bingo.

R15-7-218. Notice of charges Charges

- A. A The bingo licensee shall, before prior to the sale of cards for any a bingo occasion, post a notice in a conspicuous place on the premises where bingo is to be played listing the charges for admission, and cards, papers or other media of play and any other service or privilege offered. The A licensee shall charge all players the publicly posted rates.
- **B.** A licensee shall charge players non-discriminatorily for all cards and shall neither give, donate, nor distribute to players, directly or indirectly, any "free" cards. No card may be taken to the playing area until paid for.

R15-7-219. Notice of prizes Prizes

- A. Before Prior to the sale of cards for an any bingo occasion, a the bingo licensee shall post a notice in a conspicuous place on the premises, where the bingo is to be played describing the nature and dollar value exact amount of each prize prizes to be awarded, including the method of determining any substitute prize prizes to be awarded in the event of for multiple winners.
- **B.** Notwithstanding the foregoing, if If a licensee conducts a "split-the-pot" or "winner-take-all" special game, the licensee shall announce the dollar value amount of the minimum prize prizes to be awarded shall be announced prior to before the ealling of the 1st first number is called. The licensee shall announce the actual dollar value actual amount of the prize shall be announced prior to before the closure of the game is over.
- C. For the purposes of this rule, it shall be sufficient for the licensee to state in the posted notice that, in the event of multiple winners, the stated prize will be divided equally, insofar as possible, between or among the verified winners subject to the prize provisions of these rules.

R15-7-220. Alternate prizes Prize for winners Winning within a specified number Specified Number of ealls Calls

- **A.** Within the dollar limits prescribed by A.R.S. § 5-406(P), a licensee may offer an alternate prize prizes may be offered based upon on the number of calls within which a successful bingo "bingo" is obtained achieved, provided the licensee announces. If a licensee avails itself of the provisions of this rule, it must announce to the players at the beginning of each before the start of the game: in which the option is exercised,
 - 1. the The number of calls within which the bingo "bingo" must be obtained accomplished, and
 - 2. the The type or dollar value amount of any the alternate prize prizes to be awarded.
- **B.** In every a bingo game offering an alternate prize for winning prizes for winners within a specified number of calls, the licensee shall have a disinterested player shall verify the number of balls called before the licensee awards any prize is awarded.

R15-7-221. Availability of rules Rules and statutes Statutes for players Players

A The licensee shall have in its possession, on the premises during an occasion where bingo games are being played, a copy of these rules this Chapter and the applicable statutes A.R.S. Title 5, Chapter 4, available for inspection by any player upon request. The A licensee shall post a notice to this effect shall be posted in a prominent place on the premises stating that the copies are available.

R15-7-222. Inducements

- A. A licensee that offers an inducement shall offer the inducement to all players on a nondiscriminatory basis.
- A.B. Licensees that choose to give inducements shall submit in writing to the licensing authority a statement describing the inducement which shall be offered and setting forth the actual and discounted prices. The value of the an inducement in the form of tangible property shall be is the difference between the property's fair market value and the discounted price.

 A licensee shall not offer or give away inducements with The an aggregate value of the inducements shall not exceed \$50.00 more than \$250 per occasion.
- **B.C.** If a licensees licensee wish wishes to offer a door prize as their form of an inducement, the licensee shall comply with A.R.S. § 5-406(X) regarding the manner in which the licensee determines the winner of the door prize is determined shall not violate lottery and raffle prohibitions under A.R.S. § 5-406(X).
- **D.** A card given to a player at a reduced price, or without charge, in connection with the purchase of a card or cards is not an inducement.
- E. A card given away with no purchase required is an inducement and is valued at the rate posted under R15-7-218.

R15-7-225. Verification of gross Gross receipts Receipts and Purchases

Licensees shall be responsible for maintaining an accurate account of the gross receipts from each oceasion. To accomplish this, the licensee shall maintain an accurate account of all bingo cards and supplies purchased and sold. The following method shall be used to accomplish the above:

- 1. Licensees shall obtain an invoice for all bingo supplies purchased by them for resale to bingo patrons. These invoices shall become a part of the licensees' books and records.
- 2. The supervisor for the occasion shall ensure that the verification report form prescribed by the licensing authority is accurate and complete when submitted.

Notices of Final Rulemaking

- **A.** The supervisor for an occasion shall accurately complete a verification report form prescribed by the Department for the occasion. The verification report form shall include the following:
 - 1. The licensee's name and license number.
 - 2. The number of players,
 - 3. The name of the supervisor,
 - 4. The total number and dollar value of cards sold,
 - 5. The total income from cards sold,
 - 6. Itemization of bingo supplies sold,
 - 7. Itemization of inducements provided,
 - 8. A cash reconciliation,
 - 9. The computation of adjusted gross receipts, and
 - 10. A bingo game worksheet for tracking the income and prizes for each game.
- **B.** A licensee shall obtain invoices for all bingo supplies purchased by the licensee for resale to bingo patrons. The licensee shall retain these invoices with other records maintained under this Chapter.

R15-7-226. Legal debts Debts

A licensee shall pay All all expenses of games of bingo games must be paid when due. No legal debt of a game of bingo may be forgiven except as allowed through bankruptey proceedings. If a licensee incurs debt in violation of this Section, the licensee shall not enter into any arrangement or agreement to forgive the debt, unless otherwise authorized by law.

R15-7-228. Conditions of for deducting Deducting mortgage Mortgage payments Payments

- A. A licensee, if it is a nonprofit charitable organization, may deduct mortgage payments from adjusted gross receipts for only 1 one premises if the mortgage payments are based upon a reasonable and bona fide participation in ownership expense under A.R.S. § 5-107(G). If When there are multiple owners conducting games on in the same premises, the owners shall prorate the mortgage payment deduction shall be prorated among themselves the owners, based on the owners' percentage of use of the premises.
- **B.** A licensee may deduct statutorily allowable mortgage payments from bingo gross proceeds only if all 4 of the following conditions are met:
 - 1. The licensee is a nonprofit charitable organization;
 - 2. The premises are used primarily for the furtherance of the licensee's bona fide charitable purposes;
 - 3. The premises are the place where bingo occasions are held; and
 - 4. The licensee does not derive rental income from the premises.
- **C.B.** If no mortgage exists, taxes and insurance are considered on-going expenses of the organization and the licensee may shall not be paid deduct taxes and insurance from bingo adjusted gross proceeds receipts. They The licensee may deduct taxes and insurance may be paid from bingo net proceeds.
- D:C.A licensee shall purchase any All purchases of premises by licensees, on in which the licensee intends to conduct bingo is intended to be conducted, shall be bona fide purchases made for a commercially reasonable purchase price. Should the If the licensing authority Department question questions the reasonableness of the purchase price, the Department shall obtain an appraisal of the premises shall be done by the Property and Special Taxes Division of the Department of Revenue. The licensee may obtain and submit an independent appraisal by a certified appraiser to that the Department shall consider be considered in conjunction with the Departmental Department's appraisal.

R15-7-230. Reporting responsibility Financial Report

- A. The Financial financial reports report required under A.R.S. § 5-407 are is due even though if no bingo occasions were held during the reporting periods period. A licensee Reports may file be filed the financial report in advance if it is known the licensee knows that no bingo occasions will be held and no bingo funds will be expended during the reporting period.
- **B.** A licensee shall report all All interest accrued earned on the licensee's special checking account or additional interest bearing accounts required under A.R.S. § 5-407 shall be reported as gross receipts during the reporting period in which the interest is received. The Department considers interest shall be considered received when the financial institution credits the interest to the licensee's licensee receives the account statement reflecting interest paid to the account.
- C. Financial reports which that are filed in person shall be considered are delinquent if received by the Department after the due date. If a licensee files a financial report by mail is received after the due date, it the report is considered timely only if the financial report is postmarked on or before the due date. If When a due date falls on Saturday, Sunday, or a legal holiday, the due date for filing shall be is the business day following such the Saturday, Sunday, or holiday.
- **D.** A licensee that makes an expenditure, other than a prize paid to a bingo winner, of \$300 or more during the reporting period shall include in the financial report the name and address of each person to whom \$300 or more was paid and the purpose of the expenditure.

R15-7-231. Financial report supplement Repealed

A list of the names and addresses of each person to whom \$300.00 or more in the aggregate has been paid during any bingo occasion and the purposes of such expenditures shall be submitted by all licensees with the required financial report.

R15-7-232. Bingo accounts Bank Accounts

- A. The A licensee shall maintain have only 4 one, federally insured, checking account for bingo purposes. All bingo proceeds, except amounts paid out as small prizes, shall be deposited in the bingo checking account. The licensee shall maintain sufficient funds in the bingo checking account an amount sufficient to cover all checks written. A licensee shall not stop payment on any prize check without first notifying the licensing authority Department.
- **B.** Expenditures for equipment and supplies used in the daily operation of the organization in the furtherance of its purposes, including expenditures for improvements and additions to the building or premises which the organization uses for its bona fide purposes, may be paid from the bingo checking account out of bingo net proceeds.
- **C.B.** The A licensee may establish additional interest-bearing accounts that are federally insured. Each of the additional interest-bearing accounts shall be a federally insured account in which interest rates exist. Interest-bearing account funds If the licensee transfers funds from an interest bearing account, the licensee shall only be directly transferable transfer the funds into the bingo checking account before making any expenditure.

R15-7-233. Persons permitted Permitted to conduct games Conduct Games; compensation allowed Compensation Allowed

- **A.** A member or new member of a parent organization may work at a bingo occasion held by the parent organization's auxiliary. A member or new member of an auxiliary organization may work at a bingo occasion held by the auxiliary's parent organization.
- **B.** A <u>licensee shall not pay and a bingo worker shall not accept member or new member of either the parent or auxiliary organization shall not be paid or receive a commission, salary, tips, or other compensation for rendering any services related to bingo except as provided in A.R.S. § 5-407(G)(9) 5-407(G)(8). The term "compensation" includes discount Discount dinners or other functions conducted specifically for bingo workers are considered compensation.</u>
- C. A licensee shall ensure that persons who participate in the conduct of bingo games satisfy membership requirements under A.R.S. § 5-413 on and after the submission date of the affidavit required by R15-7-204.

R15-7-234. Informal resolution Resolution after investigation Investigation or complaint

- A. If, as the result of an investigation by the licensing authority Department, either routinely or upon complaint, the licensing authority Department finds that an error or violation of a rule or statutory provision statute has occurred, the licensing authority Department personnel shall direct the licensee to rectify the error or violation and discontinue any practice causing such the error or violation. The Department shall send Written written confirmation of such the order directive shall be sent to the licensee and, when applicable, to the complainant, if applicable, by certified mail.
- B. If the licensee disagrees with a the Department's directive by the licensing authority made during an investigation, the licensee may, within 10 days of the directive, request in writing an informal meeting with the licensing authority Department's bingo administrator supervisory personnel. Within 30 days after receipt of the request, the Department shall send Written written notice of the licensing authority's Department's final ultimate decision shall be sent to the licensee by certified mail.
- C. If the <u>a</u> licensee fails to comply with a directive of the <u>licensing authority Department</u>, the <u>licensing authority Department</u> may institute <u>shall consider instituting</u> suspension or revocation procedures, <u>based on the severity of the violation</u>. The licensee <u>may will have the rights of hearing and appeal a suspension or revocation decision as set forth in under A.R.S. Title 41, Chapter 6, Article 10. 6 of this Chapter.</u>

ARTICLE 3. LICENSING PROVISIONS

R15-7-301. Requirements of exempt organizations Repealed

- An applicant's allegation of tax-exempt status under the Internal Revenue Code or Arizona Revised Statutes is not determinative of qualification as a "qualified organization".
- **B.** If the applicant organization claims to be exempt from Arizona State income tax, the applicant shall provide the licensing authority with:
 - 1. Copies of documents from the Arizona Department of Revenue documenting the applicant's exemption for State income tax purposes.
 - 2. Proof the applicant is part of any other organization which has a State income tax exemption.
- C. If the applicant claims to be exempt under § 501(e) of the Internal Revenue Code of 1986, as amended, the applicant shall provide the licensing authority with:
 - 1. Copies of documents from the Internal Revenue Service stating the applicant's exemption for Federal income tax purposes.
 - 2. Proof the applicant is part of an organization which receives a national exemption.
- **D:** Tax-exempt status under the Internal Revenue Code or Arizona Revised Statutes is not the sole determinant of a "qualified organization" for bingo licensing purposes.

R15-7-302. Change in ownership Ownership for (Class A license License only)

- A. If When a Class A license licensee is is issued to a person other than not a natural person, the manager shall notify the Department of any change in licensee ownership or control of the licensee within 30 days after the effective date of the change nullifies the existing license.
- **B.** When a Class A license is issued to a person other than a natural person, a new license is not required if the licensee merely changes the designated bingo manager, supervisor or proceeds coordinator.

R15-7-303. Change of name Name

When a change is made in a name under which a bingo license is operating, even though the ownership remains the same, the licensee shall notify the Department in writing of any such change. A licensee shall notify the Department of a change in the name under which the licensee is operating within seven days of the effective date of the change.

R15-7-304. Changes to the license License, approval required

Except with the prior written consent of the licensing authority, A licensee shall conduct bingo occasions shall be conducted only on the days, at times, and with personnel listed by persons, stated on the license approved by the Department. The licensee shall obtain prior written consent of the Department before making any changes from information stated on its licensee. Every amendment to a license shall be conspicuously displayed on the premises where bingo occasions are being conducted at all times during the occasion.

R15-7-305. Change of mailing address Mailing Address

A licensee shall immediately notify the Department in writing of any change in mailing address: within seven days of the effective date of the change. The licensee shall specify whether the change is for mailing purposes only. The licensee shall specify that the change of address is for mailing purposes only.

R15-7-306. Termination of license License

Upon termination of bingo operations, the <u>licensee licensee</u> shall <u>be surrendered surrender its bingo license</u> to the Department, accompanied by a written statement <u>that provides giving</u> the date <u>operations terminated of operation termination</u>. The surrender of the license <u>shall not be is</u> effective <u>until as of the date on</u> the <u>Department accepts Department's written acceptance of</u> the surrender-in <u>writing</u>. The Department may withhold its <u>acceptance of eonsent to</u>-the surrender if the licensee is being investigated or if suspension or revocation procedures are pending.

R15-7-307. Cancellation of an Occasion occasion, approval required

A <u>licensee may cancel a</u> bingo occasion shall be cancelled only after <u>providing</u> written notice to and <u>obtaining</u> approval from the <u>licensing authority Department</u>, except that. In in the case of an emergency, the <u>licensing authority licensee</u> shall notify the <u>Department shall be notified promptly</u> in writing <u>within three days after of</u> the <u>scheduled date of the occasion eancellation</u> and <u>provide</u> the reason <u>therefore for the cancellation</u>. This rule applies to licensees conducting games on seasonal basis.

ARTICLE 4. TAX PROVISIONS

R15-7-401. Financial report form Repealed

If the prescribed financial report form is not in the possession of the licensee in time for the licensee to file a report on time, the licensee shall submit its report on a plain sheet of paper.

R15-7-402. Excess payments Payments

When If, upon after examination of the a financial report, it is determined the Department determines that the licensee has paid more than an amount of tax has been paid in excess of the tax lawfully due, the Department shall refund the excess payment or, at the option of the licensee, issue a credit equivalent to the excess payment against future the tax liability of future periods or refund the excess payment.

R15-7-403. Payment under protest Protest

<u>If a A</u> licensee shall pays make payment of any tax, penalty, or interest under protest, the licensee shall submit by submitting the protest in writing. Protests shall be pursued in accordance with the provisions of Chapter 10, Article 1 of this Title. The licensee may pursue a protest under A.R.S. Title 41, Chapter 6, Article 10.

R15-7-405. Deficiencies; payment Payment; appeal Appeal

- A. When If the Department determines that an additional amount of tax is due, the Department shall issue an assessment for the additional amount tax due plus any applicable penalty and interest. In any Each assessment the Department shall indicate show the taxable income for the period of the audit, the tax which that should have been paid, the amount of tax actually paid, and the additional tax due, and the amount of any penalty and interest owed on the assessment. The Department shall mail an assessment by certified mail to the last known address of the licensee.
- **B.** In the event If a licensee fails to make a report as required under A.R.S. § 5-407, the Department shall proceed to obtain facts upon which to base an assessment. The Department may issue a subpoena requiring the licensee, its employees, and its agents to testify under oath.

Notices of Final Rulemaking

C. A licensee may, within 30 days of receipt of an additional assessment or tax determination, <u>file a petition</u> deliver to the Department a written request for a hearing, correction, or redetermination of for the purpose of modifying or vacating the Department's assessment. <u>Such request shall specify the licensee's objections to the determinations of the Department.</u> The licensee shall file the petition under A.R.S. <u>Title 41</u>, <u>Chapter 6</u>, <u>Article 10</u>. <u>Appeals of deficiency assessments shall be pursued in accordance with the provisions of Chapter 10 of this Title.</u>

ARTICLE 5. SUSPENSION; REVOCATION; APPEALS

R15-7-502. Suspension of license License and right Right of appeal Appeal

- **A.** The Department shall issue any notice All notices of suspension shall be given pursuant to under A.R.S. §§ 41-1061 and 41-1064 A.R.S. § 41-1092.11 and these rules this Chapter.
- **B.** Except as provided in subsection (C), the The Department shall send a written suspension notice shall be sent via by certified mail. The Department shall include All notices shall state the grounds for suspension, the and duration of the suspension in the notice, and shall further state either indicate either:
 - That the suspension takes shall take effect only after public hearing. The licensee may, within 10 30 days after the mailing of receiving the notice of suspension, request in writing the modification or vacation of the notice of suspension. Such The licensee request shall state set forth with particularity the licensee's objections to the notice of suspension; or
 - 2. That summary suspension is necessary for the public health, safety, or welfare and that the Department has ordered summary suspension of the a license has been ordered pending proceedings for revocation or other action.
- C. The Department may give notice Notice of summary suspension may be given orally or in writing, based on considerations of public health, safety, or welfare. If given orally, the Department shall send a written confirmation of the oral notice that contains the same information required in subsection (B) shall be transmitted within 3 three work days. In the case of summary suspension, the public hearing shall be held within 10 days of the date of the written notice of suspension.

R15-7-503. Revocation of license License and right Right of appeal Appeal

The Department shall notify a A licensee shall be notified in writing, under pursuant to A.R.S. §§ 41-1061 and 41-1064 A.R.S. § 41-1092.11, of license a revocation of its bingo license. The Department notice of revocation shall specify the grounds for such revocation in the notice. The licensee may, within 10 30 days after the mailing of receiving the notice, request in writing the modification or vacation of the revocation decision notice of revocation. The appellant Such request shall state set forth with particularity the appellant's objections to the notice of revocation.

R15-7-504. Injunction against Against continued conducting Conducting a Bingo Game of games after suspension Suspension or revocation

In the event If a the licensee conducts or attempts to conduct continues with any bingo game games after license suspension or revocation, the Department shall request that the Attorney General's Office initiate legal action to enjoin the activity prevent any licensee from continuing to conduct bingo games.